

**Township of Westphalia  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2008**

Township of Westphalia

Clinton County, Michigan

March 31, 2008

BOARD OF TRUSTEES

Alden Thelen

Supervisor

Jane Bierstetel

Clerk

Marvin Smith

Treasurer

Daniel Thelen

Trustee

Daniel Pung

Trustee

Township of Westphalia

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Westphalia  
Westphalia, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Westphalia, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Westphalia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township of Westphalia, Michigan as of March 31, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 16, 2008

## **BASIC FINANCIAL STATEMENTS**

Township of Westphalia  
STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 321,888
Investments	538,774
Receivables	30,496
Due from other governmental units	<u>3,548</u>
Total current assets	894,706
Noncurrent assets	
Capital assets, net	<u>218,966</u>
TOTAL ASSETS	1,113,672
LIABILITIES	
Current liabilities	
Accounts payable	<u>2,709</u>
NET ASSETS	
Invested in capital assets	218,966
Unrestricted	<u>891,997</u>
TOTAL NET ASSETS	<u><u>\$ 1,110,963</u></u>

See accompanying notes to financial statements.

Township of Westphalia  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 97,540	\$ 28,987	\$ -	\$ -	\$ (70,553)
Public safety	77,992	11,175	-	12,000	(54,817)
Public works	57,476	-	3,709	-	(53,767)
Health and welfare	32,415	21,844	-	-	(10,571)
Total governmental activities	<u>\$ 265,423</u>	<u>\$ 60,006</u>	<u>\$ 3,709</u>	<u>\$ 12,000</u>	(189,708)
General revenues:					
Property taxes					174,173
State shared revenues					95,013
Investment earnings					27,509
Miscellaneous					<u>1,864</u>
Total general revenues					<u>298,559</u>
Change in net assets					108,851
Net assets, beginning of the year					<u>1,002,112</u>
Net assets, end of the year					<u>\$ 1,110,963</u>

See accompanying notes to financial statements.

Township of Westphalia

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2008

	General	Special Revenue Fire	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 164,214	\$ 157,674	\$ 321,888
Investments	286,699	252,075	538,774
Accounts receivable	20,421	10,075	30,496
Due from other funds	3,459	-	3,459
Due from other governmental units			
Local	1,419	2,129	3,548
<b>TOTAL ASSETS</b>	<b>\$ 476,212</b>	<b>\$ 421,953</b>	<b>\$ 898,165</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,522	\$ 187	\$ 2,709
Due to other funds	-	3,459	3,459
<b>TOTAL LIABILITIES</b>	<b>2,522</b>	<b>3,646</b>	<b>6,168</b>
<b>FUND BALANCES</b>			
Unreserved			
Undesignated, reported in			
General Fund	473,690	-	473,690
Special Revenue Fund	-	418,307	418,307
<b>TOTAL FUND BALANCES</b>	<b>473,690</b>	<b>418,307</b>	<b>891,997</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 476,212</b>	<b>\$ 421,953</b>	<b>\$ 898,165</b>

See accompanying notes to financial statements.



Township of Westphalia

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2008

**Total fund balance - governmental funds** \$ 891,997

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 509,612
Accumulated depreciation is	<u>(290,646)</u>

Capital assets, net	<u>218,966</u>
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<b>Net assets of governmental activities</b>	<u><u>\$ 1,110,963</u></u>
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See accompanying notes to financial statements.

Township of Westphalia

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	General	Special Revenue Fire	Total Governmental Funds
REVENUES			
Taxes	\$ 95,505	\$ 101,459	\$ 196,964
Intergovernmental	98,722	-	98,722
Charges for services	25,065	11,175	36,240
Interest and rents	16,769	11,715	28,484
Other	1,410	454	1,864
TOTAL REVENUES	237,471	124,803	362,274
EXPENDITURES			
Current			
General government	94,643	-	94,643
Public safety	-	51,449	51,449
Public works	57,476	-	57,476
Health and welfare	24,657	-	24,657
Other	7,758	-	7,758
TOTAL EXPENDITURES	184,534	51,449	235,983
NET CHANGE IN FUND BALANCES	52,937	73,354	126,291
Fund balances, beginning of year	420,753	344,953	765,706
Fund balances, end of year	\$ 473,690	\$ 418,307	\$ 891,997

See accompanying notes to financial statements.

Township of Westphalia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

**Net change in fund balances - total governmental funds** \$ 126,291

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay and capital asset related activity	\$ 12,000	
Depreciation expense	<u>(29,440)</u>	
Excess of depreciation expense over capital related amounts		<u>(17,440)</u>

**Change in net assets of governmental activities** \$ 108,851

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Westphalia Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

**1. Reporting Entity**

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing* No. 5, these financial statements present all financial activities of the Township of Westphalia (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Westphalia contain all of the funds controlled by the Township Board.

**2. Basis of Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township does not have any activities that would be considered to be business-type activities.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and are made up of charges to recipients of goods or services. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

**FUND FINANCIAL STATEMENTS**

The fund financial statements present the Township's individual major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Both of the Township's funds were considered major for the fiscal year ended March 31, 2008.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund is used to account for the operations of the fire department.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown in the required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, any transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budgets were not material.

6. Cash and Investments

Cash consists of saving and checking accounts. Investments consist of certificates of deposit with original maturities of greater than 90 days.

Township of Westphalia

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Property Tax**

The Township of Westphalia bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are payable through September 30 and February 28, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental services and additional amounts for fire operations. For the year ended March 31, 2008 the Township levied .9931 and 1.4896 mills per \$1,000 of assessed valuation for general governmental services and fire operations respectively. The total taxable value for the 2007 levy for property within the Township was \$68,115,511.

**8. Capital Assets**

Capital assets include buildings and improvements, furniture and equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and equipment	5 - 10 years
Buildings and improvements	40 - 50 years
Vehicles	15 years

**9. Comparative Data**

Comparative data for the prior year has not been presented in each of the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.

Township of Westphalia

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2008, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking accounts	\$ 317,514	\$ 328,033
Savings accounts	4,374	4,374
Certificates of deposit	<u>538,774</u>	<u>538,774</u>
	<u>\$ 860,662</u>	<u>\$ 871,181</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2008, the Township accounts were insured by the FDIC for \$618,580, and the amount of \$252,601 was uninsured.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2008, the Township did not have any investments that would be subject to rating.

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash and investments referred to above have been reported in either the cash or investments captions on the statement of net assets and the balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2008:

	<u>Primary Government</u>
Cash	\$ 321,888
Investments	<u>538,774</u>
	<u>\$ 860,662</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables at March 31, 2008:

Due to General Fund from:	
Fire Fund	<u>\$ 3,459</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.



Township of Westphalia  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2008, was as follows:

	Balance April 1, 2007	Additions	Deletions	Balance March 31, 2008
Governmental Activities				
Buildings and improvements	\$ 84,762	\$ -	\$ -	\$ 84,762
Vehicles	285,800	-	-	285,800
Furniture and equipment	<u>127,050</u>	<u>12,000</u>	<u>-</u>	<u>139,050</u>
Subtotal	497,612	12,000	-0-	509,612
Governmental Activities - continued				
Less accumulated depreciation				
Buildings and improvements	( 52,302 )	( 1,760 )	-	( 54,062 )
Vehicles	( 145,420 )	( 13,820 )	-	( 159,240 )
Furniture and equipment	<u>( 63,484 )</u>	<u>( 13,860 )</u>	<u>-</u>	<u>( 77,344 )</u>
Subtotal	<u>( 261,206 )</u>	<u>( 29,440 )</u>	<u>-0-</u>	<u>( 290,646 )</u>
Capital assets, net	<u>\$ 236,406</u>	<u>\$( 17,440 )</u>	<u>\$ -0-</u>	<u>\$ 218,966</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 2,897
Public safety	<u>26,543</u>
Total	<u>\$ 29,440</u>

**NOTE E: RETIREMENT PLAN**

The Township of Westphalia is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Westphalia Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on an employee's annual calendar year compensation. During the year ended March 31, 2008, the Township of Westphalia made contributions for all participating employees of 6.84% per employee, with the participating employees required to contribute 7% each.

All Township employees are eligible to participate in the plan. All eligible employees, except Board of Review members, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with the Travelers Insurance Company through Municipal Retirement Systems, Inc.

For the year ended March 31, 2008, the Township of Westphalia had a total payroll of \$78,650. The Township of Westphalia Retirement Plan covered payroll for the period ended March 31, 2008 of \$77,961. The Township of Westphalia made contributions for the 2007 plan year to the retirement plan in the amount of \$5,566.

**NOTE F: RISK MANAGEMENT**

The Township is exposed to various risks of loss including accidental death, dismemberment, disability; medical expense benefit; errors and omissions; blanket accident; firefighter accident; and workers' compensation for which the Township carries commercial insurance.

Township of Westphalia  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**NOTE F: RISK MANAGEMENT CONTINUED**

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including property liability, wrongful acts liability, auto liability, crime liability, in-land marine liability, and bonding liability. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General and major Special Revenue Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the functional classification level for the General Fund and the fund level for the Special Revenue Fund.

During the year ended March 31, 2008, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Other	\$ 33,000	\$ 33,313	\$ 313
Other			
Bad debt expense	-	7,758	7,758

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Westphalia

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current tax levy	\$ 68,000	\$ 68,000	\$ 72,427	\$ 4,427
Trailer tax	-	-	288	288
Administration fees	13,000	13,000	22,790	9,790
Total taxes	81,000	81,000	95,505	14,505
Intergovernmental				
State				
Sales and use tax	93,000	93,000	95,013	2,013
Metro Act	-	-	3,709	3,709
Total intergovernmental	93,000	93,000	98,722	5,722
Charges for services				
Ambulance runs	20,000	20,000	21,844	1,844
Franchise fees	-	-	1,094	1,094
Other	-	-	2,127	2,127
Total charges for services	20,000	20,000	25,065	5,065
Interest and rents				
Interest	6,000	6,000	15,794	9,794
Rents	500	500	975	475
Total interest and rents	6,500	6,500	16,769	10,269
Other				
Refunds and reimbursements	4,000	4,000	960	(3,040)
Other	250	250	450	200
Total other	4,250	4,250	1,410	(2,840)
TOTAL REVENUES	204,750	204,750	237,471	32,721

Township of Westphalia

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Township Board	\$ 3,000	\$ 3,000	\$ 2,400	\$ 600
Supervisor	13,000	13,000	12,570	430
Clerk	14,500	14,500	14,300	200
Board of review	800	800	640	160
Treasurer	14,500	14,500	14,410	90
Assessor	17,000	17,000	13,409	3,591
Elections	4,000	4,000	640	3,360
Buildings and grounds	3,500	3,500	3,261	239
Other	33,000	33,000	33,013	(13)
Total general government	103,300	103,300	94,643	8,657
Public works				
Drains at large	10,000	10,000	3,635	6,365
Highways and streets	100,000	97,000	53,841	43,159
Total public works	110,000	107,000	57,476	49,524
Health and welfare				
Ambulance	23,000	26,000	24,657	1,343
Other				
Bad debt expense	-	-	7,758	(7,758)
TOTAL EXPENDITURES	236,300	236,300	184,534	59,524
NET CHANGE IN FUND BALANCE	(31,550)	(31,550)	52,937	92,245
Fund balance, beginning of year	420,753	420,753	420,753	-0-
Fund balance, end of year	<u>\$ 389,203</u>	<u>\$ 389,203</u>	<u>\$ 473,690</u>	<u>\$ 92,245</u>

Township of Westphalia

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 95,000	\$ 95,000	\$ 101,459	\$ 6,459
Charges for services	10,000	10,000	11,175	1,175
Interest	8,000	8,000	11,715	3,715
Other	-	-	454	454
TOTAL REVENUES	113,000	113,000	124,803	11,803
EXPENDITURES				
Public safety	105,000	105,000	51,449	53,551
NET CHANGE IN FUND BALANCE	8,000	8,000	73,354	65,354
Fund balance, beginning of year	344,953	344,953	344,953	-0-
Fund balance, end of year	<u>\$ 352,953</u>	<u>\$ 352,953</u>	<u>\$ 418,307</u>	<u>\$ 65,354</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Trustees  
Township of Westphalia  
Westphalia, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Westphalia as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Westphalia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with accounting principles generally accepted in the United States of America. The auditor cannot be a part of the internal controls. This issue was noted and reported in our prior year audit comments.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand the requirements of preparing the financial statements and so that they may take responsibility for the statements and the appropriate disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiency described below to be a material weakness in internal control over financial reporting.

#### MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of various financial statement amounts were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries were necessary to adjust the cash basis records to modified accrual basis in accordance with generally accepted accounting principles.

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls. Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the Township's internal controls.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance:

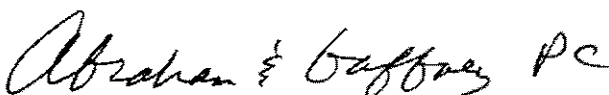
#### BUDGETS

As noted in the financial statements, some of the activities of the Township exceeded the amounts appropriated. The variances noted were in the General Fund.

Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act also prohibits the Township from appropriating more funds for expenditure than is available through current revenue sources and any accrued surplus or deficit from previous years.

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management and the Board of Trustees of the Township of Westphalia, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY P.C.  
Certified Public Accountants

September 16, 2008